

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 EB-07 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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C O N F I D E N T I A L EC BRUSSELS 09368

E.O. 11652: GDS

TAGS: EAGR, ETRD

SUBJECT: DENT VISIT: DISCUSSION ON GRAINS

1. SUMMARY: DURING AMBASSADOR DENT'S MEETINGS WITH COMMISSION OFFICIALS, LATTER WERE PLEASED THAT US WOULD BE PREPARED TO PARTICIPATE IN DISCUSSION ON EC PROPOSAL AT NEXT WEEK'S MEETING OF GRAINS SUB-GROUP BUT WARNED THAT IF US REFUSED TO TALK ABOUT ITS OWN RESERVES IDEAS IN GENEVA, EC WOULD "DRAW ITS OWN CONCLUSIONS" WHICH WOULD EFFECT THEIR WILLINGNESS TO ENGAGE FURTHER IN MEANINGFUL DISCUSSIONS US RESERVES PROPOSAL IN FORTHCOMING MEETINGS OF IWC. END SUMMARY.

2. EC COMMISSIONER SOAMES BEGAN DISCUSSION OF GRAINS ITEM ON AGENDA FOR AMBASSADOR DENT'S MEETING OCTOBER 17 BY RECALLING CONVERSATION LAST JUNE WITH THE SECRETARY IN WHICH HE URGED THAT US "TABLE" ITS RESERVES PROPOSAL IN GENEVA AS WELL AS IN LONDON. WHILE EC DISAPPOINTED THAT WE HAD NOT DONE SO SIMULTANEOUSLY IN BOTH LONDON AND GENEVA, HE WAS PLEASED THAT WE HAD FINALLY TAKEN THIS STEP EVEN AFTERN SOME
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DELAY. AMBASSADOR DENT ASSURED SOAMES THAT THE DELAY WAS

ONLY THE RESULT OF A BUREAUCRATIC MIXUP AND NOT DELIBERATE. SOAMES THEN SAID THAT EC WOULD BE ASKING QUESTIONS ABOUT IT AT NEXT WEEK'S MEETING OF GRAINS SUB-GROUP IN GENEVA. AMBASSADOR WALKER POINTED OUT THAT WE HAD CIRCULATED OUR PAPER FOR INFORMATION PURPOSES ONLY, AND NOT FOR DISCUSSION.

3. COMMISSIONERS SOAMES, LARDINOIS AND GUNDELACH, ALL REACTED SHARPLY, WITH SOAMES INSISTING THAT WHILE HE HAD NOT GOTTEN THE SECRETARY'S EXPLICIT AGREEMENT TO DISCUSS THE PAPER IT WAS CLEARLY HIS UNDERSTANDING THAT THAT WOULD BE THE PURPOSE FOR WHICH THE PAPER WAS TABLED. AMBASSADOR DENT REMINDED COMMISSIONERS THAT OUR PREVIOUS UNDERSTANDING ON RELATIONSHIP BETWEEN LONDON AND GENEVA WAS THAT, WHEN AGREEMENT HAD BEEN REACHED IN LONDON ON A RESERVES SCHEMD, IT WOULD THEN BE BROUGHT BACK TO GENEVA TO BE FOLDED INTO THE GRAINS DISCUSSION TO SEE IF "THERE WERE PLUSES AND MINUSES TO WORK OUT." HE STRESSED THAT OUR OBJECTIVE IN LONDON WAS TO NEGOTIATE AN AGREEMENT ON RESERVES TO PROTECT WORLD FOOD SECURITY AS MANDATED BY THE WORLD FOOD CONFERENCE, NOT TO NEGOTIATE ON COMMERCIAL ASPECTS OF GRAIN TRADE.

4. COMMISSIONERS TOOK THE POSITION THAT ANY EFFORT TO DISTINGUISH BETWEEN STOCKS FOR FOOD SECURITY AND THE INFLUENCE OF SUCH STOCKS ON GRAIN TRADE WAS ARTIFICIAL.

5. US SIDE NOTED THAT WE WERE AWARE OF EC UNHAPPINESS ABOUT OUR REFUSAL TO DISCUSS THEIR PORPOSAL FOR COMMERCIAL GRAIN ARRANGEMENT IN GENEVA. AMBASSADOR WALKER SAID WE WOULD BE PREPARED TO ENGAGE IN A DIALOGUE ON THEIR PORPOSAL IF EC WOULD PROCEED WITH CONTINUING DIALOGUE ON OUR PROPOSAL IN LONDON. HE URGED THAT EC AGREE TO ATTEND ANOTHER IWC MEETING IN NOVEMBER PRIOR TO COUNCIL MEETING IN DECEMBER. IF THEY WOULD AGREE TO DO SO WE WOULD DISCUSS THEIR PROPOSAL IN GENEVA. (COMMENT: STATE 245988 AUTHORIZES USMTN DEL TO DISCUSS EC PROPOSAL IN GRAINS SUB-GROUP MEETING IN GENEVA NEXT WEEK. END COMMENT.) LARDINOIS WELCOMED THIS STATEMENT AND SAID EC WOULD ATTEND ANOTHER LONDON MEETING IN NOVEMBER. HOWEVER, HE URGED THAT IT NOT BE SCHEDULED UNTIL AFTER NOVEMBER 12 WHEN HE HOPES TO DISCUSS GRAINS ISSUE FURTHER WITH SECRETARY BUTZ.

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6. SOAMES STRESSED THAT HIS VIEW HAS ALOWAYS BEEN THAT THESE DISCUSSIONS SHOULD PROCEED IN PARALLEL, AND THAT NO FINAL AGREEMENTS CAN BE REACHED UNLESS ALL ELEMENTS ARE TAKEN INTO ACCOUNT IN A SINGLE GRAIN TRADING SYSTE. EC FAVORS CONCEPT OF RESERVES TO BE HELD BY BOTH IMPORTING AND EXPORTING COUNTRIES. HOWEVER HE EMPHASIZED THAT "UNTIL WE SEE EVIDENCE THAT YOU ARE WILLING TO TALK ABOUT ALL THE ISSUES IN CEREALS,

WE CAN'T MAKE PROGRESS ANYWHERE." HE SAID THAT EC IS CONCERNED THAT THE US "WANTS TO PLUCK THE EYE OUT OF AN AGREEMENT (STOCKS) AND LEAVE THE REST FOR LATER OR NEVER." AS FOR NEXT WEEK'S MEETING OF GRAINS SUB-GROUP IN GENEVA, SOAMES SAID THAT EC WILL ASK QUESTIONS ABOUT US RESERVES PROPOSAL. IF US REFUSES TO ANSWER, "WE WILL DRAW OUR OWN CONCLUSIONS" AND, WHILE EC WOULD AGREE TO NOVEMBER IWC MEETING, HE STRESSED THAT "WHAT WE DO THERE WILL DEPEND ON WHAT YOU DO IN GENEVA."

7. AMBASSADOR DENT REPLIED THAT THE US WAS PREPARED TO DISCUSS IN GENEVA ALL MATTERS PERTAINING TO TRADE IN GRAINS. HE STRESSED THAT THERE WERE ENOUGH ISSUES TO BE DISCUSSED APART FROM RESERVE STOCKS TO KEEP US FULLY OCCUPIED. IT HAD ALWAYS BEEN OUR UNDERSTANDING THAT WHEN WE HAD AN AGREEMENT ON RESERVES IN LONDON WE WOULD BRING IT BACK TO GENEVA. HOWEVER IT HAD NOT BEEN OUR VIEW THAT IT SHOULD BE NEGOTIATED IN TWO PARALLEL FORUMS.

8. DISCUSSION ENDED WITH REAFFIRMATION BY SOAMES THAT EC HAS INSISTED ON NEED FOR "PARALLEL PROGRESS" IN BOTH FORUMS. HE ADDED THAT WE HAVE GAINED TIME BECAUSE THERE ARE NO SURPLUSES THIS YEAR, BUT, SHOULD THEY REAPPEAR IN NEXT CROP, TRADE SITUATION WILL BE MUCH MORE DIFFICULT FOR ALL OF US. GREENWALD

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